



Prudential Retirement Income Limited

Incorporated and Registered in England and Wales Registered number 47842
Registered Office PO Box 25, Craigforth, Stirling, FK9 4UE

Annual FSA Insurance Returns for the year ended

31 December 2012

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

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Statement of solvency - long-term insurance businessName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**

Solo solvency calculation

| Company registration number | GL/UK/CM | day | month | year | Units | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|
| R2 | 47842 | GL | 31 | 12 | 2012 | £000 |
| | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | 1 | 2 |

Capital resources

| | | | |
|---|----|---------|---------|
| Capital resources arising within the long-term insurance fund | 11 | 699232 | 710130 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 1238192 | 993440 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 1937424 | 1703570 |

Guarantee fund

| | | | |
|--|----|---------|---------|
| Guarantee fund requirement | 21 | 288558 | 259788 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 1648866 | 1443782 |

Minimum capital requirement (MCR)

| | | | |
|--|----|---------|---------|
| Long-term insurance capital requirement | 31 | 865675 | 779365 |
| Resilience capital requirement | 32 | | |
| Base capital resources requirement | 33 | 2984 | 3056 |
| Individual minimum capital requirement | 34 | 865675 | 779365 |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34+35) | 36 | 865675 | 779365 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 1504586 | 1313887 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 1288168 | 1119046 |

Enhanced capital requirement

| | | | |
|--|----|--------|--------|
| With-profits insurance capital component | 39 | | |
| Enhanced capital requirement | 40 | 865675 | 779365 |

Capital resources requirement (CRR)

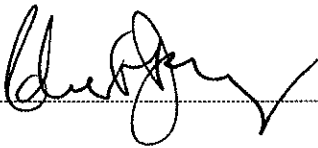
| | | | |
|--|----|---------|--------|
| Capital resources requirement (greater of 36 and 40) | 41 | 865675 | 779365 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 1071749 | 924205 |

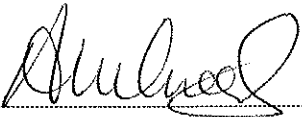
Contingent liabilities

| | | | |
|--|----|--------|--------|
| Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14 | 51 | 283475 | 274266 |
|--|----|--------|--------|

Covering Sheet to Form 2

Name of insurer **Prudential Retirement Income Limited**
Global business
Financial year ended **31 December 2012**


..... R A Devey Director


..... A M Crossley Director


..... D J Belsham Director

London 25 March 2013

Components of capital resourcesName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**

| R3 | Company registration number 47842 | GL/UK/CM GL | day month year | | | Units £000 |
|----|--------------------------------------|---------------------------------|-----------------------------------|---|---|---------------|
| | | | 31 | 12 | 2012 | |
| | | General insurance business 1 | Long-term insurance business 2 | Total as at the end of this financial year 3 | Total as at the end of the previous year 4 | |

Core tier one capital

| | | | | | |
|---|----|--|---------|---------|---------|
| Permanent share capital | 11 | | 837700 | 837700 | 837700 |
| Profit and loss account and other reserves | 12 | | 1733661 | 1733661 | 1362929 |
| Share premium account | 13 | | | | |
| Positive valuation differences | 14 | | | | |
| Fund for future appropriations | 15 | | | | |
| Core tier one capital in related undertakings | 16 | | | | |
| Core tier one capital (sum of 11 to 16) | 19 | | 2571361 | 2571361 | 2200629 |

Tier one waivers

| | | | | | |
|---|----|--|--|--|--|
| Unpaid share capital / unpaid initial funds and calls for supplementary contributions | 21 | | | | |
| Implicit items | 22 | | | | |
| Tier one waivers in related undertakings | 23 | | | | |
| Total tier one waivers as restricted (21+22+23) | 24 | | | | |

Other tier one capital

| | | | | | |
|--|----|--|-------|-------|-------|
| Perpetual non-cumulative preference shares as restricted | 25 | | 20000 | 20000 | 20000 |
| Perpetual non-cumulative preference shares in related undertakings | 26 | | | | |
| Innovative tier one capital as restricted | 27 | | | | |
| Innovative tier one capital in related undertakings | 28 | | | | |

| | | | | | |
|---|-----------|--|---------|---------|---------|
| Total tier one capital before deductions (19+24+25+26+27+28) | 31 | | 2591361 | 2591361 | 2220629 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | | | |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | 653537 | 653537 | 516559 |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | 653537 | 653537 | 516559 |
| Total tier one capital after deductions (31-37) | 39 | | 1937824 | 1937824 | 1704070 |

Components of capital resourcesName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**

| | Company registration number | GL/ UK/ CM | day month year | | | Units |
|-----------|-----------------------------------|----------------------------------|------------------------------------|---|---|-------------|
| R3 | 47842 | GL | 31 | 12 | 2012 | £000 |
| | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | |
| | | 1 | 2 | 3 | 4 | |

Tier two capital

| | | | | | |
|---|-----------|--|--|--|--|
| Implicit items, (tier two waivers and amounts excluded from line 22) | 41 | | | | |
| Perpetual non-cumulative preference shares excluded from line 25 | 42 | | | | |
| Innovative tier one capital excluded from line 27 | 43 | | | | |
| Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43) | 44 | | | | |
| Perpetual cumulative preference shares | 45 | | | | |
| Perpetual subordinated debt and securities | 46 | | | | |
| Upper tier two capital in related undertakings | 47 | | | | |
| Upper tier two capital (44 to 47) | 49 | | | | |

| | | | | | |
|--|-----------|--|--|--|--|
| Fixed term preference shares | 51 | | | | |
| Other tier two instruments | 52 | | | | |
| Lower tier two capital in related undertakings | 53 | | | | |
| Lower tier two capital (51+52+53) | 59 | | | | |

| | | | | | |
|--|-----------|--|--|--|--|
| Total tier two capital before restrictions (49+59) | 61 | | | | |
| Excess tier two capital | 62 | | | | |
| Further excess lower tier two capital | 63 | | | | |
| Total tier two capital after restrictions, before deductions (61-62-63) | 69 | | | | |

Components of capital resources

Name of insurer

Prudential Retirement Income Limited

Global business

Financial year ended

31 December 2012

| | Company registration number | GL/UK/CM | day month year | | | Units | |
|--|-----------------------------|----------|----------------------------|------------------------------|--|--|------|
| | R3 | 47842 | GL | 31 | 12 | 2012 | £000 |
| | | | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year | |
| | | | 1 | 2 | 3 | 4 | |

Total capital resources

| | | | | | |
|---|-----------|--|---------|---------|---------|
| Positive adjustments for regulated non-insurance related undertakings | 71 | | | | |
| Total capital resources before deductions (39+69+71) | 72 | | 1937824 | 1937824 | 1704070 |
| Inadmissible assets other than intangibles and own shares | 73 | | 400 | 400 | 500 |
| Assets in excess of market risk and counterparty limits | 74 | | | | |
| Deductions for related ancillary services undertakings | 75 | | | | |
| Deductions for regulated non-insurance related undertakings | 76 | | | | |
| Deductions of ineligible surplus capital | 77 | | | | |
| Total capital resources after deductions (72-73-74-75-76-77) | 79 | | 1937424 | 1937424 | 1703570 |

Available capital resources for GENPRU/INSRU tests

| | | | | | |
|--|----|--|---------|---------|---------|
| Available capital resources for guarantee fund requirement | 81 | | 1937424 | 1937424 | 1703570 |
| Available capital resources for 50% MCR requirement | 82 | | 1937424 | 1937424 | 1703570 |
| Available capital resources for 75% MCR requirement | 83 | | 1937424 | 1937424 | 1703570 |

Financial engineering adjustments

| | | | | | |
|--|-----------|--|--------|--------|--------|
| Implicit items | 91 | | | | |
| Financial reinsurance - ceded | 92 | | | | |
| Financial reinsurance - accepted | 93 | | | | |
| Outstanding contingent loans | 94 | | 283475 | 283475 | 274266 |
| Any other charges on future profits | 95 | | | | |
| Sum of financial engineering adjustments (91+92-93+94+95) | 96 | | 283475 | 283475 | 274266 |

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|---|
| R13 | 47842 | GL | 31 | 12 | 2012 | £000 | 1 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |
| Land and buildings | | | 11 | | | 75559 | |

Investments in group undertakings and participating interests

| | | | | |
|----------------------------|-----------------|----|--------|--------|
| UK insurance dependants | Shares | 21 | | |
| | Debts and loans | 22 | | |
| Other insurance dependants | Shares | 23 | | |
| | Debts and loans | 24 | | |
| Non-insurance dependants | Shares | 25 | | |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | 486182 | 368392 |
| Participating interests | Shares | 29 | | |
| | Debts and loans | 30 | | |

Other financial investments

| | | | | |
|--|--------------------------------|-----|--------|--------|
| Equity shares | 41 | 1 | | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | | | |
| Rights under derivative contracts | 44 | 953 | 6094 | |
| Fixed interest securities | Approved | 45 | 587951 | 197750 |
| | Other | 46 | 34856 | 235243 |
| Variable interest securities | Approved | 47 | 49556 | 8843 |
| | Other | 48 | 36107 | |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | | | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | | | |
| Other loans | 53 | | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 6600 | 122586 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | 56 | | | |
| Deposits with ceding undertakings | 57 | | | |
| Assets held to match linked liabilities | Index linked | 58 | | |
| | Property linked | 59 | | |

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|---|
| R13 | 47842 | GL | 31 | 12 | 2012 | £000 | 1 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

Reinsurers' share of technical provisions

| | | | |
|---------------------------------|----|--|--|
| Provision for unearned premiums | 60 | | |
| Claims outstanding | 61 | | |
| Provision for unexpired risks | 62 | | |
| Other | 63 | | |

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|----|---|----|
| Direct insurance business | Policyholders | 71 | | |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | |
| | Ceded | 75 | | |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 1 | 45 |
| | due in more than 12 months | 79 | | |

Other assets

| | | | |
|---|----|---------|---------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | 201087 | 53427 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 9513 | 11794 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | | |
| Deductions from the aggregate value of assets | 87 | | |
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 1412807 | 1079733 |

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|---|
| R13 | 47842 | GL | 31 | 12 | 2012 | £000 | 1 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

| | | | |
|---|-----|----------|---------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 1412807 | 1079733 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | | |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | | |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | | |
| Other asset adjustments (may be negative) | 101 | (200000) | (50000) |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 1212807 | 1029733 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | 106033 | 48618 |

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13 | 47842 | GL | 31 | 12 | 2012 | £000 | 10 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |
| Land and buildings | | | 11 | | 811860 | 751533 | |

Investments in group undertakings and participating interests

| | | | | |
|----------------------------|-----------------|----|---------|--------|
| UK insurance dependants | Shares | 21 | | |
| | Debts and loans | 22 | | |
| Other insurance dependants | Shares | 23 | | |
| | Debts and loans | 24 | | |
| Non-insurance dependants | Shares | 25 | | |
| | Debts and loans | 26 | | |
| Other group undertakings | Shares | 27 | | |
| | Debts and loans | 28 | 1002922 | 885025 |
| Participating interests | Shares | 29 | | |
| | Debts and loans | 30 | | |

Other financial investments

| | | | | |
|--|--------------------------------|--------|----------|----------|
| Equity shares | 41 | 2363 | 3779 | |
| Other shares and other variable yield participations | 42 | | | |
| Holdings in collective investment schemes | 43 | | | |
| Rights under derivative contracts | 44 | 264155 | 253353 | |
| Fixed interest securities | Approved | 45 | 3399694 | 3719787 |
| | Other | 46 | 15299675 | 12722844 |
| Variable interest securities | Approved | 47 | 102349 | 121828 |
| | Other | 48 | 590403 | 763743 |
| Participation in investment pools | 49 | | | |
| Loans secured by mortgages | 50 | 162117 | 44432 | |
| Loans to public or local authorities and nationalised industries or undertakings | 51 | | | |
| Loans secured by policies of insurance issued by the company | 52 | | | |
| Other loans | 53 | 3266 | 3924 | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 588033 | 630589 |
| | More than one month withdrawal | 55 | | |
| Other financial investments | 56 | | | |
| Deposits with ceding undertakings | 57 | | | |
| Assets held to match linked liabilities | Index linked | 58 | 3759064 | 3556465 |
| | Property linked | 59 | | |

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13 | 47842 | GL | 31 | 12 | 2012 | £000 | 10 |
| | | | | | As at end of this financial year | As at end of the previous year | |
| | | | | | 1 | 2 | |

Reinsurers' share of technical provisions

| | | | |
|---------------------------------|----|--|--|
| Provision for unearned premiums | 60 | | |
| Claims outstanding | 61 | | |
| Provision for unexpired risks | 62 | | |
| Other | 63 | | |

Debtors and salvage

| | | | | |
|------------------------------------|----------------------------|----|------|-------|
| Direct insurance business | Policyholders | 71 | 474 | 263 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | 5469 | 14518 |
| | Ceded | 75 | | |
| Dependants | due in 12 months or less | 76 | | |
| | due in more than 12 months | 77 | | |
| Other | due in 12 months or less | 78 | 1916 | 2198 |
| | due in more than 12 months | 79 | | |

Other assets

| | | | |
|---|----|--------|--------|
| Tangible assets | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | 81 | | 41486 |
| Cash in hand | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | 83 | | |
| Accrued interest and rent | 84 | 413890 | 398010 |
| Deferred acquisition costs (general business only) | 85 | | |
| Other prepayments and accrued income | 86 | 44159 | 39327 |

| | | | |
|---|----|--|--|
| Deductions from the aggregate value of assets | 87 | | |
|---|----|--|--|

| | | | |
|---|----|----------|----------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 26451809 | 23953104 |
|---|----|----------|----------|

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

| Company registration number | GL/UK/CM | day | month | year | Units | Category of assets | |
|-----------------------------|----------|-----|-------|------|-------|----------------------------------|--------------------------------|
| R13 | 47842 | GL | 31 | 12 | 2012 | £000 | 10 |
| | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | 1 | 2 |

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

| | | | |
|---|-----|----------|----------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above) | 91 | 26451809 | 23953104 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 400 | 500 |
| Capital resources requirement deduction of regulated related undertakings | 94 | | |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings | 95 | | |
| Inadmissible assets of regulated related undertakings | 96 | | |
| Book value of related ancillary services undertakings | 97 | | |
| Other differences in the valuation of assets (other than for assets not valued above) | 98 | (317086) | (204641) |
| Deferred acquisition costs excluded from line 89 | 99 | | |
| Reinsurers' share of technical provisions excluded from line 89 | 100 | 3596124 | 3256012 |
| Other asset adjustments (may be negative) | 101 | 207194 | 103038 |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 29938441 | 27108013 |

| | | | |
|---|-----|---------|---------|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 103 | 1217214 | 1054029 |
|---|-----|---------|---------|

Long term insurance business liabilities and margins

Name of insurer **Prudential Retirement Income Limited**
Global business
Financial year ended **31 December 2012**
Total business/Sub fund **Ordinary Branch Long Term**
Units **£000**

| As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|
|---|---|

| | | | | |
|--|---------------------------|-----------|----------|--------|
| Mathematical reserves, after distribution of surplus | 11 | 21586775 | 19444541 | |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | | |
| Balance of surplus/(valuation deficit) | 13 | 699632 | 710630 | |
| Long term insurance business fund carried forward (11 to 13) | 14 | 22286407 | 20155171 | |
| Claims outstanding | Gross | 15 | 3782 | 3272 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 3782 | 3272 |
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | 23 | 3142768 | 2814619 | |
| Creditors | Direct insurance business | 31 | 747 | 6138 |
| | Reinsurance accepted | 32 | 771 | 283 |
| | Reinsurance ceded | 33 | 538 | 477 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | 36 | 739058 | 669138 | |
| Creditors | Taxation | 37 | 36363 | 70106 |
| | Other | 38 | 219007 | 215774 |
| Accruals and deferred income | 39 | 22768 | 18626 | |
| Provision for "reasonably foreseeable adverse variations" | 41 | | | |
| Total other insurance and non-insurance liabilities (17 to 41) | 49 | 4165802 | 3798433 | |
| Excess of the value of net admissible assets | 51 | | | |
| Total liabilities and margins | 59 | 26452209 | 23953604 | |

| | | | |
|--|-----------|-----|------|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 876 | 2043 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | | |

| | | | |
|---|-----------|----------|----------|
| Total liabilities (11+12+49) | 71 | 25752577 | 23242974 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 3596124 | 3258012 |
| Other adjustments to liabilities (may be negative) | 74 | (763429) | (618162) |
| Capital and reserves and fund for future appropriations | 75 | 1353169 | 1227189 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75) | 76 | 29938441 | 27108013 |

Liabilities (other than long term insurance business)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**

| | Company registration number | GL/ UK/ CM | day month year | | | Units | |
|--|-----------------------------------|------------------|----------------|--|-----------|-------------|--------------------------------------|
| | R15 | 47842 | GL | 31 | 12 | 2012 | £000 |
| | | | | As at end of this financial year | | | As at end of the previous year |
| | | | | 1 | | | 2 |

Technical provisions (gross amount)

| | | | | |
|---|----------------------------|-----------|--|--|
| Provisions for unearned premiums | | 11 | | |
| Claims outstanding | | 12 | | |
| Provision for unexpired risks | | 13 | | |
| Equalisation provisions | Credit business | 14 | | |
| | Other than credit business | 15 | | |
| Other technical provisions | | 16 | | |
| Total gross technical provisions (11 to 16) | | 19 | | |

Provisions and creditors

| | | | | |
|---|---------------------------|-----------|--------|-------|
| Provisions | Taxation | 21 | | |
| | Other risks and charges | 22 | | |
| Deposits received from reinsurers | | 31 | | |
| Creditors | Direct insurance business | 41 | | |
| | Reinsurance accepted | 42 | | |
| | Reinsurance ceded | 43 | | |
| Debenture loans | Secured | 44 | | |
| | Unsecured | 45 | | |
| Amounts owed to credit institutions | | 46 | 167430 | 85745 |
| Creditors | Taxation | 47 | 7163 | 378 |
| | Foreseeable dividend | 48 | | |
| | Other | 49 | 22 | 170 |
| Accruals and deferred income | | 51 | | |
| Total (19 to 51) | | 59 | 174615 | 86293 |
| Provision for "reasonably foreseeable adverse variations" | | 61 | | |
| Cumulative preference share capital | | 62 | | |
| Subordinated loan capital | | 63 | | |
| Total (59 to 63) | | 69 | 174615 | 86293 |

| | | | | |
|---|-----------|--|--|--|
| Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance | 71 | | | |
|---|-----------|--|--|--|

| | | | | |
|--|-----------|----------|--|---------|
| Amounts deducted from technical provisions for discounting | 82 | | | |
| Other adjustments (may be negative) | 83 | (200000) | | (50000) |
| Capital and reserves | 84 | 1238192 | | 993440 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84) | 85 | 1212807 | | 1029733 |

Profit and loss account (non-technical account)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**

| | | Company registration number | GL/UK/CM | day | month | year | Units | |
|---|---|-----------------------------|----------|---------------------|-------|---------------|--------|------|
| | | R16 | 47842 | GL | 31 | 12 | 2012 | £000 |
| | | | | This financial year | | Previous year | | |
| | | | | 1 | | 2 | | |
| Transfer (to)/from the general insurance business technical account | From Form 20 | 11 | | | | | | |
| | Equalisation provisions | 12 | | | | | | |
| Transfer from the long term insurance business revenue account | | 13 | | | | 200000 | 50000 | |
| Investment income | Income | 14 | | | | 26203 | 29239 | |
| | Value re-adjustments on investments | 15 | | | | | 37904 | |
| | Gains on the realisation of investments | 16 | | | | 78769 | 21075 | |
| Investment charges | Investment management charges, including interest | 17 | | | | 652 | 605 | |
| | Value re-adjustments on investments | 18 | | | | 44609 | | |
| | Loss on the realisation of investments | 19 | | | | | | |
| Allocated investment return transferred to the general insurance business technical account | | 20 | | | | | | |
| Other income and charges (particulars to be specified by way of supplementary note) | | 21 | | | | (1694) | (904) | |
| Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21) | | 29 | | | | 258017 | 136709 | |
| Tax on profit or loss on ordinary activities | | 31 | | | | 13266 | 21969 | |
| Profit or loss on ordinary activities after tax (29-31) | | 39 | | | | 244751 | 114740 | |
| Extraordinary profit or loss (particulars to be specified by way of supplementary note) | | 41 | | | | | | |
| Tax on extraordinary profit or loss | | 42 | | | | | | |
| Other taxes not shown under the preceding items | | 43 | | | | | | |
| Profit or loss for the financial year (39+41-(42+43)) | | 49 | | | | 244751 | 114740 | |
| Dividends (paid or foreseeable) | | 51 | | | | | | |
| Profit or loss retained for the financial year (49-51) | | 59 | | | | 244751 | 114740 | |

Analysis of derivative contracts

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**

Category of assets **Total other than long term insurance business assets**

| | | Company registration number | GL/UK/CM | day month year | | | Units | Category of assets | |
|---------------------------------------|---------------------------|--|------------------|--|-------------------|-----------|-------------|--------------------|----------|
| | | R17 | 47842 | GL | 31 | 12 | 2012 | £000 | 1 |
| Derivative contracts | | Value as at the end of this financial year | | Notional amount as at the end of this financial year | | | | | |
| | | Assets 1 | Liabilities 2 | Bought / Long 3 | Sold / Short 4 | | | | |
| Futures and contracts for differences | Fixed-interest securities | 11 | | | | | | | |
| | Interest rates | 12 | | | | | | | |
| | Inflation | 13 | 953 | | | 56833 | 56833 | | |
| | Credit index / basket | 14 | | | | | | | |
| | Credit single name | 15 | | | | | | | |
| | Equity index | 16 | | | | | | | |
| | Equity stock | 17 | | | | | | | |
| | Land | 18 | | | | | | | |
| | Currencies | 19 | | | | | | | |
| | Mortality | 20 | | | | | | | |
| Other | 21 | | | | | | | | |
| In the money options | Swaptions | 31 | | | | | | | |
| | Equity index calls | 32 | | | | | | | |
| | Equity stock calls | 33 | | | | | | | |
| | Equity index puts | 34 | | | | | | | |
| | Equity stock puts | 35 | | | | | | | |
| Other | 36 | | | | | | | | |
| Out of the money options | Swaptions | 41 | | | | | | | |
| | Equity index calls | 42 | | | | | | | |
| | Equity stock calls | 43 | | | | | | | |
| | Equity index puts | 44 | | | | | | | |
| | Equity stock puts | 45 | | | | | | | |
| Other | 46 | | | | | | | | |
| Total (11 to 46) | | 51 | 953 | | | 56833 | 56833 | | |
| Adjustment for variation margin | | 52 | | | | | | | |
| Total (51 + 52) | | 53 | 953 | | | | | | |

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

| | | Company registration number | GL/ UK/ CM | day month year | | | Units | Category of assets | |
|---------------------------------------|---------------------------|--|------------------|-------------------------|--|---------------------------|---------|--------------------------|----|
| | | R17 | 47842 | GL | 31 | 12 | 2012 | £000 | 10 |
| Derivative contracts | | Value as at the end of this financial year | | | Notional amount as at the end of this financial year | | | | |
| | | Assets 1 | | Liabilities 2 | | Bought / Long 3 | | Sold / Short 4 | |
| Futures and contracts for differences | Fixed-interest securities | 11 | | | | | | | |
| | Interest rates | 12 | 192600 | | | | 524114 | 524114 | |
| | Inflation | 13 | 48920 | | 48261 | | 1061817 | 1061817 | |
| | Credit index / basket | 14 | | | | | | | |
| | Credit single name | 15 | 20823 | | 11884 | | 1141628 | | |
| | Equity index | 16 | | | | | | | |
| | Equity stock | 17 | | | | | | | |
| | Land | 18 | | | | | | | |
| | Currencies | 19 | 1812 | | 126182 | | 519356 | 578502 | |
| | Mortality | 20 | | | | | | | |
| Other | 21 | | | | | | | | |
| In the money options | Swaptions | 31 | | | | | | | |
| | Equity index calls | 32 | | | | | | | |
| | Equity stock calls | 33 | | | | | | | |
| | Equity index puts | 34 | | | | | | | |
| | Equity stock puts | 35 | | | | | | | |
| Other | 36 | | | | | | | | |
| Out of the money options | Swaptions | 41 | | | | | | | |
| | Equity index calls | 42 | | | | | | | |
| | Equity stock calls | 43 | | | | | | | |
| | Equity index puts | 44 | | | | | | | |
| | Equity stock puts | 45 | | | | | | | |
| Other | 46 | | | | | | | | |
| Total (11 to 46) | | 51 | 264155 | | 186327 | | 3246915 | 2164433 | |
| Adjustment for variation margin | | 52 | | | | | | | |
| Total (51 + 52) | | 53 | 264155 | | 186327 | | | | |

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Long-term insurance business : Revenue account

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**

| Financial year | Previous year |
|----------------|---------------|
| 1 | 2 |

Income

| | | | |
|--|-----------|----------------|----------------|
| Earned premiums | 11 | 1376197 | 1201263 |
| Investment income receivable before deduction of tax | 12 | 1174325 | 1128622 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 1465704 | 1423031 |
| Increase (decrease) in the value of linked assets | 14 | | |
| Other income | 15 | | |
| Total income | 19 | 4016226 | 3752916 |

Expenditure

| | | | |
|--|-----------|----------------|----------------|
| Claims incurred | 21 | 1162145 | 1098654 |
| Expenses payable | 22 | 81902 | 78945 |
| Interest payable before the deduction of tax | 23 | 382670 | 369817 |
| Taxation | 24 | 58273 | 84955 |
| Other expenditure | 25 | | 129961 |
| Transfer to (from) non technical account | 26 | 200000 | 50000 |
| Total expenditure | 29 | 1884990 | 1812332 |

| | | | |
|---|----|----------|----------|
| Business transfers - in | 31 | | |
| Business transfers - out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | 2131236 | 1940584 |
| Fund brought forward | 49 | 20155171 | 18214587 |
| Fund carried forward (39+49) | 59 | 22286407 | 20155171 |

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**

| UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---------|------------|----------|----------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |

Gross

| | | | | | |
|------------------|----|--|---------|---------|---------|
| Regular premiums | 11 | | | | |
| Single premiums | 12 | | 1683912 | 1683912 | 1476087 |

Reinsurance - external

| | | | | | |
|------------------|----|--|-------|-------|-------|
| Regular premiums | 13 | | | | |
| Single premiums | 14 | | 64857 | 64857 | 62836 |

Reinsurance - intra-group

| | | | | | |
|------------------|----|--|--------|--------|--------|
| Regular premiums | 15 | | | | |
| Single premiums | 16 | | 242858 | 242858 | 211988 |

Net of reinsurance

| | | | | | |
|------------------|----|--|---------|---------|---------|
| Regular premiums | 17 | | | | |
| Single premiums | 18 | | 1376197 | 1376197 | 1201263 |

Total

| | | | | | |
|-------------|----|--|---------|---------|---------|
| Gross | 19 | | 1683912 | 1683912 | 1476087 |
| Reinsurance | 20 | | 307715 | 307715 | 274824 |
| Net | 21 | | 1376197 | 1376197 | 1201263 |

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**

| UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---------|------------|----------|----------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |

Gross

| | | | | | | |
|--------------------------------|-----------|--|----------------|--|----------------|----------------|
| Death or disability lump sums | 11 | | 346 | | 346 | 454 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | | 6318 | | 6318 | 6943 |
| Annuity payments | 14 | | 1415969 | | 1415969 | 1335217 |
| Lump sums on maturity | 15 | | 8957 | | 8957 | 13212 |
| Total | 16 | | 1431590 | | 1431590 | 1355826 |

Reinsurance - external

| | | | | | | |
|--------------------------------|-----------|--|--------------|--|--------------|--------------|
| Death or disability lump sums | 21 | | | | | |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | | 6 | | 6 | 10 |
| Annuity payments | 24 | | 64357 | | 64357 | 63282 |
| Lump sums on maturity | 25 | | | | | |
| Total | 26 | | 64363 | | 64363 | 63292 |

Reinsurance - intra-group

| | | | | | | |
|--------------------------------|-----------|--|---------------|--|---------------|---------------|
| Death or disability lump sums | 31 | | 52 | | 52 | 68 |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | | 947 | | 947 | 1040 |
| Annuity payments | 34 | | 202739 | | 202739 | 190790 |
| Lump sums on maturity | 35 | | 1344 | | 1344 | 1982 |
| Total | 36 | | 205082 | | 205082 | 193880 |

Net of reinsurance

| | | | | | | |
|--------------------------------|-----------|--|----------------|--|----------------|----------------|
| Death or disability lump sums | 41 | | 294 | | 294 | 386 |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | | 5365 | | 5365 | 5893 |
| Annuity payments | 44 | | 1148873 | | 1148873 | 1081145 |
| Lump sums on maturity | 45 | | 7613 | | 7613 | 11230 |
| Total | 46 | | 1162145 | | 1162145 | 1098654 |

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**

| UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---------|------------|----------|----------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |

Gross

| | | | | | | |
|--------------------------|-----------|--|--------------|--|--------------|--------------|
| Commission - acquisition | 11 | | 19753 | | 19753 | 17886 |
| Commission - other | 12 | | | | | |
| Management - acquisition | 13 | | 26275 | | 26275 | 26529 |
| Management - maintenance | 14 | | 35475 | | 35475 | 36403 |
| Management - other | 15 | | 14852 | | 14852 | 12059 |
| Total | 16 | | 96355 | | 96355 | 92877 |

Reinsurance - external

| | | | | | | |
|--------------------------|-----------|--|--|--|--|--|
| Commission - acquisition | 21 | | | | | |
| Commission - other | 22 | | | | | |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| Total | 26 | | | | | |

Reinsurance - intra-group

| | | | | | | |
|--------------------------|-----------|--|--------------|--|--------------|--------------|
| Commission - acquisition | 31 | | 2963 | | 2963 | 2683 |
| Commission - other | 32 | | | | | |
| Management - acquisition | 33 | | 3941 | | 3941 | 3979 |
| Management - maintenance | 34 | | 5321 | | 5321 | 5461 |
| Management - other | 35 | | 2228 | | 2228 | 1809 |
| Total | 36 | | 14453 | | 14453 | 13932 |

Net of reinsurance

| | | | | | | |
|--------------------------|-----------|--|--------------|--|--------------|--------------|
| Commission - acquisition | 41 | | 16790 | | 16790 | 15203 |
| Commission - other | 42 | | | | | |
| Management - acquisition | 43 | | 22334 | | 22334 | 22550 |
| Management - maintenance | 44 | | 30154 | | 30154 | 30942 |
| Management - other | 45 | | 12624 | | 12624 | 10250 |
| Total | 46 | | 81902 | | 81902 | 78945 |

Long-term insurance business : Summary of new business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

| UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---------|------------|----------|----------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |

**Number of new policyholders/
 scheme members for direct
 insurance business**

| | | | | | |
|--------------------------|-----------|--|--------------|--------------|--------------|
| Regular premium business | 11 | | | | |
| Single premium business | 12 | | 16201 | 16201 | 18564 |
| Total | 13 | | 16201 | 16201 | 18564 |

**Amount of new regular
 premiums**

| | | | | | |
|---------------------------|-----------|--|--|--|--|
| Direct insurance business | 21 | | | | |
| External reinsurance | 22 | | | | |
| Intra-group reinsurance | 23 | | | | |
| Total | 24 | | | | |

**Amount of new single
 premiums**

| | | | | | |
|---------------------------|-----------|--|----------------|----------------|----------------|
| Direct insurance business | 25 | | 588676 | 588676 | 519306 |
| External reinsurance | 26 | | 147724 | 147724 | 109416 |
| Intra-group reinsurance | 27 | | 947512 | 947512 | 847365 |
| Total | 28 | | 1683912 | 1683912 | 1476087 |

Long-term insurance business : Analysis of new business

Prudential Retirement Income Limited

Name of insurer

Total business

Financial year ended

31 December 2012

Units

£000

UK Pension / Direct Insurance Business

| Product code number | Product description | Regular premium business | | Single premium business | |
|---------------------|--|--|--------------------|--|--------------------|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 390 | Deferred annuity non-profit | | | | (2757) |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment | | | 10782 | 154707 |
| 401 | Annuity non-profit (bulk transfer) - Group annuities in payment | | | 3775 | 301347 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment | | | 362 | 12529 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment | | | 688 | 12452 |
| 906 | Index linked annuity (bulk transfer) - Group annuities in payment | | | 694 | 111237 |
| 907 | Index linked deferred annuity - Group deferred annuities | | | | (839) |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Long-term insurance business : Analysis of new business

Name of insurer Prudential Retirement Income Limited
 Total business
 Financial year ended 31 December 2012
 Units £000
 UK Pension / Reinsurance accepted external

| Product code number | Product description | Regular premium business | | Single premium business | |
|---------------------|---|--|--------------------|--|--------------------|
| | | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment | | | | 146701 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment | | | | 1023 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2012**
 Units **£000**

| Unadjusted assets | Economic exposure | Expected income from assets in column 2 | Yield before adjustment | Return on assets in financial year |
|-------------------|-------------------|---|-------------------------|------------------------------------|
| 1 | 2 | 3 | 4 | 5 |

Assets backing non-profit liabilities and non-profit capital requirements

| | | | | | | |
|------------------------------------|-----------|-----------------|-----------------|----------------|-------------|--|
| Land and buildings | 11 | 811860 | 811860 | 45307 | 5.58 | |
| Approved fixed interest securities | 12 | 3453415 | 3453415 | 137041 | 3.00 | |
| Other fixed interest securities | 13 | 15612057 | 15612057 | 773940 | 4.18 | |
| Variable interest securities | 14 | 696895 | 696895 | 14610 | 2.89 | |
| UK listed equity shares | 15 | 2182 | 2182 | 56 | 2.58 | |
| Non-UK listed equity shares | 16 | 181 | 181 | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 2116155 | 2116155 | 54410 | 2.57 | |
| Total | 19 | 22692745 | 22692745 | 1025364 | 3.86 | |

Assets backing with-profits liabilities and with-profits capital requirements

| | | | | | | |
|------------------------------------|-----------|--|--|--|--|--|
| Land and buildings | 21 | | | | | |
| Approved fixed interest securities | 22 | | | | | |
| Other fixed interest securities | 23 | | | | | |
| Variable interest securities | 24 | | | | | |
| UK listed equity shares | 25 | | | | | |
| Non-UK listed equity shares | 26 | | | | | |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | | | | | |
| Total | 29 | | | | | |

Overall return on with-profits assets

| | | | | | | |
|--|----|--|--|--|--|--|
| Post investment costs but pre-tax | 31 | | | | | |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | |

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2012**
 Units **£000**

| | | Value of assets 1 | Mean term 2 | Yield before adjustment 3 | Yield after adjustment 4 |
|---|-----------|----------------------|----------------|---------------------------------|--------------------------------|
| UK Government approved fixed interest securities | 11 | 850193 | 15.67 | 2.80 | 2.80 |
| Other approved fixed interest securities | 21 | 2603222 | 11.86 | 3.06 | 2.97 |
| Other fixed interest securities | | | | | |
| AAA/Aaa | 31 | 1121529 | 9.28 | 3.20 | 3.06 |
| AA/Aa | 32 | 2442427 | 12.51 | 3.87 | 3.33 |
| A/A | 33 | 6185981 | 11.01 | 3.96 | 3.28 |
| BBB/Baa | 34 | 3852090 | 8.34 | 4.66 | 3.52 |
| BB/Ba | 35 | 211550 | 5.70 | 6.39 | 5.00 |
| B/B | 36 | 9700 | 5.29 | 97.49 | 9.97 |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | 1788780 | 9.24 | 4.12 | 3.48 |
| Total other fixed interest securities | 39 | 15612057 | 10.18 | 4.18 | 3.38 |
| Approved variable interest securities | 41 | 102775 | 16.56 | (0.28) | (0.28) |
| Other variable interest securities | 51 | 594120 | 10.46 | 3.44 | 2.99 |
| Total (11+21+39+41+51) | 61 | 19762367 | 10.68 | 3.93 | 3.27 |

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**

| UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---------|------------|----------|----------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |

Gross

| | | | | | |
|------------------------|-----------|--|-----------------|-----------------|-----------------|
| Form 51 - with-profits | 11 | | | | |
| Form 51 - non-profit | 12 | | 20942165 | 20942165 | 18639896 |
| Form 52 | 13 | | | | |
| Form 53 - linked | 14 | | | | |
| Form 53 - non-linked | 15 | | | | |
| Form 54 - linked | 16 | | 4422488 | 4422488 | 4184058 |
| Form 54 - non-linked | 17 | | 96383 | 96383 | 98567 |
| Total | 18 | | 25461036 | 25461036 | 22922521 |

Reinsurance - external

| | | | | | |
|------------------------|-----------|--|--------------|--------------|--------------|
| Form 51 - with-profits | 21 | | | | |
| Form 51 - non-profit | 22 | | 64772 | 64772 | 46609 |
| Form 52 | 23 | | | | |
| Form 53 - linked | 24 | | | | |
| Form 53 - non-linked | 25 | | | | |
| Form 54 - linked | 26 | | 59 | 59 | (19) |
| Form 54 - non-linked | 27 | | | | |
| Total | 28 | | 64831 | 64831 | 46590 |

Reinsurance - intra-group

| | | | | | |
|------------------------|-----------|--|----------------|----------------|----------------|
| Form 51 - with-profits | 31 | | | | |
| Form 51 - non-profit | 32 | | 3131609 | 3131609 | 2788993 |
| Form 52 | 33 | | | | |
| Form 53 - linked | 34 | | | | |
| Form 53 - non-linked | 35 | | | | |
| Form 54 - linked | 36 | | 663364 | 663364 | 627612 |
| Form 54 - non-linked | 37 | | 14457 | 14457 | 14785 |
| Total | 38 | | 3809430 | 3809430 | 3431390 |

Net of reinsurance

| | | | | | |
|------------------------|-----------|--|-----------------|-----------------|-----------------|
| Form 51 - with-profits | 41 | | | | |
| Form 51 - non-profit | 42 | | 17745784 | 17745784 | 15804294 |
| Form 52 | 43 | | | | |
| Form 53 - linked | 44 | | | | |
| Form 53 - non-linked | 45 | | | | |
| Form 54 - linked | 46 | | 3759065 | 3759065 | 3556465 |
| Form 54 - non-linked | 47 | | 81926 | 81926 | 83782 |
| Total | 48 | | 21586775 | 21586775 | 19444541 |

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**
 UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 390 | Deferred annuity non-profit - Group deferred annuities | 24828 | 33313 | | | | | 541566 |
| 390 | Deferred annuity non-profit - Group deferred annuities unprocessed business | | | | | | | 4884 |
| 400 | Annuity non-profit (CPA) - Group annuities in payment | 62571 | 158043 | | | | | 2404970 |
| 400 | Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted) | | 11165 | | | | | 194057 |
| 400 | Annuity non-profit (CPA) - Group annuities in payment unprocessed business | | | | | | | 205 |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment | 398914 | 510151 | | | | | 7462548 |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted) | | 530920 | | | | | 8841745 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment | 12009 | 41949 | | | | | 531326 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted) | | 14673 | | | | | 231107 |
| 440 | Additional reserves non-profit OB - Miscellaneous | | | | | | | 105077 |
| 440 | Additional reserves non-profit OB - Mismatching | | | | | | | 168929 |
| 440 | Additional reserves non-profit OB - Policy related expenses | | | | | | | 455751 |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Prudential Retirement Income Limited**

Total business / subfund **Ordinary Branch Long Term**

Financial year ended **31 December 2012**

Units **£000**

UK Pension / Reinsurance ceded external

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment | | | | | | | 64987 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment | | | | | | | 498 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted) | | | | | | | (713) |
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer Prudential Retirement Income Limited

Total business / subfund Ordinary Branch Long Term

Financial year ended 31 December 2012

Units £000

UK Pension / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|---|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 390 | Deferred annuity non-profit - Group deferred annuities | | 4997 | | | | | 81235 |
| 390 | Deferred annuity non-profit - Group deferred annuities unprocessed business | | | | | | | 733 |
| 400 | Annuity non-profit (CPA) - Group annuities in payment | | 23706 | | | | | 360745 |
| 400 | Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted) | | 1675 | | | | | 29108 |
| 400 | Annuity non-profit (CPA) - Group annuities in payment unprocessed business | | | | | | | 31 |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment | | 76523 | | | | | 1109634 |
| 400 | Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted) | | 79638 | | | | | 1326262 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment | | 6292 | | | | | 79624 |
| 405 | Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted) | | 2201 | | | | | 34773 |
| 440 | Additional reserves non-profit OB - Miscellaneous | | | | | | | 15762 |
| 440 | Additional reserves non-profit OB - Mismatching | | | | | | | 26339 |
| 440 | Additional reserves non-profit OB - Policy related expenses | | | | | | | 68363 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer Prudential Retirement Income Limited

Total business / subfund Ordinary Branch Long Term

Financial year ended 31 December 2012

Units £000

UK Pension / Gross

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 905 | Index linked annuity(CPA) - Group annuities in payment | 36060 | 143067 | | 3073317 | 3073317 | | 3073317 |
| 905 | Index linked annuity(CPA) - Group annuities in payment - valued as fixed | 41 | 62 | | 1340 | 1340 | | 1340 |
| 905 | Index linked annuity(CPA) - Group annuities in payment unprocessed business | | | | 1213 | 1213 | | 1213 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment | 32038 | 41940 | | 891836 | 891836 | | 891836 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted) | | 5939 | | 142200 | 142200 | | 142200 |
| 907 | Index linked deferred annuity - Group deferred annuities | 9109 | 13136 | | 252362 | 252362 | | 252362 |
| 907 | Index linked deferred annuity - Group deferred annuities - valued as fixed | 195 | 330 | | 15816 | 15816 | | 15816 |
| 907 | Index linked deferred annuity - Group deferred annuities unprocessed business | | | | 488 | 488 | | 488 |
| 915 | Additional reserves index linked - Miscellaneous | | | | | | 22554 | 22554 |
| 915 | Additional reserves index linked - Mismatching | | | | | | 73829 | 73829 |
| 915 | Additional reserves index linked - Policy related expenses | | | | 43896 | 43896 | | 43896 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**
 UK Pension / Reinsurance ceded external

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment | | | | 52 | 52 | | 52 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted) | | | | 7 | 7 | | 7 |
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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer Prudential Retirement Income Limited

Total business / subfund Ordinary Branch Long Term

Financial year ended 31 December 2012

Units £000

UK Pension / Reinsurance ceded intra-group

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 905 | Index linked annuity(CPA) - Group annuities in payment | | 21460 | | 460998 | 460998 | | 460998 |
| 905 | Index linked annuity(CPA) - Group annuities in payment - valued as fixed | | 9 | | 201 | 201 | | 201 |
| 905 | Index linked annuity(CPA) - Group annuities in payment unprocessed business | | | | 182 | 182 | | 182 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment | | 6291 | | 133768 | 133768 | | 133768 |
| 905 | Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted) | | 891 | | 21329 | 21329 | | 21329 |
| 907 | Index linked deferred annuity - Group deferred annuities | | 1970 | | 37857 | 37857 | | 37857 |
| 907 | Index linked deferred annuity - Group deferred annuities - valued as fixed | | 50 | | 2372 | 2372 | | 2372 |
| 907 | Index linked deferred annuity - Group deferred annuities unprocessed business | | | | 73 | 73 | | 73 |
| 915 | Additional reserves index linked - Miscellaneous | | | | | | 3383 | 3383 |
| 915 | Additional reserves index linked - Mismatching | | | | | | 11074 | 11074 |
| 915 | Additional reserves index linked - Policy related expenses | | | | 6584 | 6584 | | 6584 |
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Long-term insurance business : Index linked business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

| Value of assets | Mean Term |
|-----------------|-----------|
| 1 | 2 |

Analysis of assets

| | | | |
|---------------------------------------|-----------|----------------|-------|
| Approved variable interest securities | 11 | 559268 | 16.56 |
| Other variable interest securities | 12 | 1860100 | 13.04 |
| Approved fixed interest securities | 13 | 583126 | 15.60 |
| Other fixed interest securities | 14 | 816287 | 11.54 |
| Cash and deposits | 15 | 74604 | |
| Equity index derivatives | 16 | | |
| Inflation swaps | 17 | (10956) | |
| Other assets | 18 | (123365) | |
| Variation margin | 19 | | |
| Total (11 to 19) | 20 | 3759064 | |

Credit rating of other fixed interest and other variable interest securities

| | | | |
|--|-----------|----------------|--------------|
| AAA/Aaa | 31 | 38386 | 12.34 |
| AA/Aa | 32 | 313865 | 14.29 |
| A/A | 33 | 1382230 | 12.81 |
| BBB/Baa | 34 | 527795 | 12.15 |
| BB/Ba | 35 | 114065 | 9.44 |
| B/B | 36 | | |
| CCC/Caa | 37 | | |
| Other (including unrated) | 38 | 300046 | 11.74 |
| Total other fixed interest and other variable interest securities | 39 | 2676387 | 12.58 |

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Prudential Retirement Income Limited**

Total business **Ordinary Branch Long Term**

Financial year ended **31 December 2012**

Units **£000**

| Product group 1 | Net mathematical reserves 2 | Net valuation interest rate 3 | Gross valuation interest rate 4 | Risk adjusted yield on matching assets 5 |
|--|--------------------------------|----------------------------------|------------------------------------|---|
| Form 51: Immediate & deferred annuities | 17125491 | | 3.47 | 3.56 |
| Form 51: Additional reserves | 232905 | | | 3.56 |
| Form 51: Additional reserves - policy related expenses | 387388 | | 0.68 | 0.70 |
| Form 54: Additional reserves | 81926 | | | 0.70 |
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| Total | 17827710 | | | |

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2012**
 Units **£000**

| Financial year | Previous year |
|----------------|---------------|
| 1 | 2 |

Valuation result

| | | | |
|---|----|----------|----------|
| Fund carried forward | 11 | 22286407 | 20155171 |
| Bonus payments in anticipation of a surplus | 12 | | |
| Transfer to non-technical account | 13 | 200000 | 50000 |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 22486407 | 20205171 |
| Mathematical reserves | 21 | 21586775 | 19444541 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 899632 | 760630 |

Composition of surplus

| | | | |
|---|----|--------|--------|
| Balance brought forward | 31 | 710630 | 644854 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 189002 | 115776 |
| Total | 39 | 899632 | 760630 |

Distribution of surplus

| | | | |
|---|----|--------|--------|
| Bonus paid in anticipation of a surplus | 41 | | |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | | |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | | |
| Net transfer out of fund / part of fund | 47 | 200000 | 50000 |
| Total distributed surplus (46+47) | 48 | 200000 | 50000 |
| Surplus carried forward | 49 | 699632 | 710630 |
| Total (48+49) | 59 | 899632 | 760630 |

Percentage of distributed surplus allocated to policyholders

| | | | |
|------------------|----|--|--|
| Current year | 61 | | |
| Current year - 1 | 62 | | |
| Current year - 2 | 63 | | |
| Current year - 3 | 64 | | |

Long-term insurance capital requirementName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2012**Units **£000**

| LTICR factor | Gross reserves / capital at risk | Net reserves / capital at risk | Reinsurance factor | LTICR Financial year | LTICR Previous year |
|--------------|----------------------------------|--------------------------------|--------------------|----------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |

Insurance death risk capital component

| | | | | | | |
|------------------------------|-----------|-------|--|--|--|--|
| Life protection reinsurance | 11 | 0.0% | | | | |
| Classes I (other), II and IX | 12 | 0.1% | | | | |
| Classes I (other), II and IX | 13 | 0.15% | | | | |
| Classes I (other), II and IX | 14 | 0.3% | | | | |
| Classes III, VII and VIII | 15 | 0.3% | | | | |
| Total | 16 | | | | | |

Insurance health risk and life protection reinsurance capital component

| | | | | | | |
|--|----|--|--|--|--|--|
| Class IV supplementary classes 1 and 2 and life protection reinsurance | 21 | | | | | |
|--|----|--|--|--|--|--|

Insurance expense risk capital component

| | | | | | | | |
|--|-----------|-----|----------|----------|------|--------|--------|
| Life protection and permanent health reinsurance | 31 | 0% | | | | | |
| Classes I (other), II and IX | 32 | 1% | 20942165 | 17745785 | 0.85 | 178008 | 158439 |
| Classes III, VII and VIII (investment risk) | 33 | 1% | 4518870 | 3840990 | 0.85 | 38410 | 36402 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 34 | 1% | | | | | |
| Classes III, VII and VIII (other) | 35 | 25% | | | | | |
| Class IV (other) | 36 | 1% | | | | | |
| Class V | 37 | 1% | | | | | |
| Class VI | 38 | 1% | | | | | |
| Total | 39 | | | | | 216419 | 194841 |

Insurance market risk capital component

| | | | | | | | |
|--|-----------|----|----------|----------|------|--------|--------|
| Life protection and permanent health reinsurance | 41 | 0% | | | | | |
| Classes I (other), II and IX | 42 | 3% | 20942165 | 17745785 | 0.85 | 534025 | 475317 |
| Classes III, VII and VIII (investment risk) | 43 | 3% | 4518870 | 3840990 | 0.85 | 115231 | 109207 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 44 | 0% | | | | | |
| Classes III, VII and VIII (other) | 45 | 0% | | | | | |
| Class IV (other) | 46 | 3% | | | | | |
| Class V | 47 | 0% | | | | | |
| Class VI | 48 | 3% | | | | | |
| Total | 49 | | 25461035 | 21586775 | | 649256 | 584524 |

| | | | | | | | |
|--|-----------|--|--|--|--|--------|--------|
| Long term insurance capital requirement | 51 | | | | | 865675 | 779365 |
|--|-----------|--|--|--|--|--------|--------|

PRUDENTIAL RETIREMENT INCOME LIMITED

Valuation Report pursuant to the Interim Prudential Sourcebook (IPRU (INS)) rule 9.4, 9.31(a)(i) and Appendix 9.4

Valuation Report as at 31 December 2012

1. Introduction

- (1) The investigation relates to 31 December 2012.
- (2) The previous investigation related to 31 December 2011.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2011.

2. Product range

(a) New products

No new products have been introduced during the financial year.

(b) New bonus series

No new bonus series have been introduced during the financial year.

(c) Products withdrawn

No products have been withdrawn during the financial year.

(d) Changes to options or guarantees under existing products

No changes have been made to options or guarantees under existing products during the financial year.

(e) With-profits subfunds

There are no with-profits subfunds.

3. Discretionary charges and benefits

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable
- (5) Not applicable

Valuation Report as at 31 December 2012 (continued)

- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Not applicable

4. Valuation basis (other than for special reserves)

- (1) The mathematical reserve for annuities in payment is the present value of the annuities.

The mathematical reserve for inflation-linked annuities is, in general, determined without an explicit allowance for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of inflation-linked annuities which are subject to maximum and/or minimum percentage increases is as follows:

- (a) inflation-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 5% are, for valuation purposes, treated as being identical to normal inflation-linked annuities.
- (b) inflation-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 12% are, for valuation purposes, treated as being identical to normal inflation-linked annuities.
- (c) inflation-linked annuities subject to a minimum annual increase of 3% and a maximum annual increase of 5% are, for valuation purposes, treated as annuities with fixed 5% annual increases. They are, however included in these returns as linked business. Thus, Form 56 includes sufficient fixed interest assets to match the corresponding liabilities.
- (d) inflation-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 3% arising from Guaranteed Minimum Pension liabilities are, for valuation purposes, treated as annuities with fixed 3% annual increases. This business is reported on Form 51 as non-linked business.

The mathematical reserve for deferred annuities is the present value of the annuity secured to date.

For deferred annuities where benefits include revaluation in deferment in line with inflation, followed by fixed escalation in payment, the revaluation in deferment is generally subject to a minimum annual increase of 0% and a maximum annual increase of 5%. For valuation purposes these are treated as annuities with fixed 3.50% annual revaluation throughout the remaining deferred period followed by the actual fixed escalation in payment. The 3.50% annual revaluation rate is the same as the inflation rate assumed in the valuation and is appropriate as these annuities are matched with non-linked assets and inflation swaps. These annuities are included in these returns as non-linked business.

Valuation Report as at 31 December 2012 (continued)

A separate expense reserve is held. This is calculated as the present value of future expenses, allowing for inflation.

- (2) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest will be used for assets taken in combination.

In applying the section 148 waiver, the yield on property is taken to be the lower of the current rental yield and the “redemption yield”, which is the interest rate at which the market value equates to the present value of future rental income and the disposal value. No allowance is made for non-contractual increases in rental income. As an allowance for the risk of falls in value, the disposal value of the property at the end of the lease is taken as 75% of the current market value.

The interest rates used are as follows:

Non-linked

| Product code number | Product description | 31 December 2012 % | 31 December 2011 % |
|---------------------|---------------------|--------------------|--------------------|
| All | All products | 3.47 | 4.08 |

Index linked

| Product code number | Product description | 31 December 2012 % | 31 December 2011 % |
|---------------------|--|--------------------|--------------------|
| All | All products (except index linked annuities – valued as fixed) | 0.68 | 0.74 |
| All | Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed | 3.47 | 4.08 |

Investment management expenses are allowed for by means of an appropriate deduction from the valuation rate of interest (see 4(6) below). The valuation rates of interest above are shown before the deduction for investment management expenses.

- (3) The allowance for credit risk is calculated as the long-term expected level of defaults plus the long-term credit risk premium plus the long-term downgrade resilience reserve plus an allowance for the impact of additional short-term credit events reflecting the market conditions at the valuation date.

Valuation Report as at 31 December 2012 (continued)

The long-term expected levels of defaults are determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 40 year period, produces mean default rates according to credit quality and term to redemption.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

| | |
|---|-----|
| First Mortgage Debenture/Senior Secured | 75% |
| Senior Unsecured | 45% |
| Subordinated Debt | 20% |

To calculate the aggregate provision for the long-term expected levels of defaults and the long-term credit risk premium, the corporate bond portfolio is broken down according to credit rating and level of security. The default rate for each category is assumed to vary between 100% and 200% of the appropriate mean default rate, reduced by the expected recovery, plus a further amount for credit risk. This further amount for credit risk (the long-term credit risk premium) is determined as the excess over the best estimate level of default, of the 95th percentile of historic cumulative defaults, reduced to allow for the expected recovery of capital and subject to a minimum margin over best estimate of 50%. The derived default rates for each level of security are set out below:

Default rates – basis points per annum:

| Seniority | AAA | AA | A | BBB | BB | B and lower |
|---|------|------|------|------|-------|-------------|
| First Mortgage Debenture / Senior Secured | 5.2 | 8.6 | 15.7 | 28.8 | 94.8 | 185.2 |
| Senior Unsecured | 11.4 | 18.8 | 34.5 | 63.3 | 208.4 | 407.4 |
| Subordinated Debt | 16.5 | 27.4 | 50.2 | 92.1 | 303.2 | 592.5 |

The long-term downgrade resilience reserve is determined as the hypothetical impact on the aggregate provision described above of a one-notch downgrade of the entire credit-risky asset portfolio.

A deduction is also made to allow for the risk of default of rent on properties. This deduction is calculated in the same way as for corporate bonds (having regard to the credit quality of the relevant tenants), as described above.

The overall allowance for credit risk at 31 December 2012 has been taken to be the allowance for credit risk brought forward from 31 December 2011 but adjusted to allow for changes in asset mix that have occurred during 2012.

Valuation Report as at 31 December 2012 (continued)

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1. The risk adjusted yields in Form 57 column 5 were calculated using the method specified in the section 148 waiver, after allowing for credit risk.

Aggregate yields on the backing assets have been adjusted by 0.67% and 0.58% to allow for credit risk within the non-linked and index-linked portfolios respectively. These credit risk adjustments include margins for prudence.

For the portfolio as a whole this represents an aggregate credit risk assumption of 65 basis points per annum. This can alternatively be expressed as 165 basis points for 3 years and 37 basis points per annum thereafter.

(4)

Non-linked

| Product code number | Product description | 31 December 2012 | 31 December 2011 |
|----------------------------|--|---|---|
| 400 | Annuity non-profit (CPA) – individual annuities in payment | | |
| | Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted) | | |
| 405 | Annuity non-profit (CPA impaired life) – individual annuities in payment | | |
| | Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance accepted) | | |
| | Mortality table | Modified 92.5% PCMA00 / 84.5% PCFA00 | Modified 93.5% PCMA00 / 84.5% PCFA00 |
| | Expectation of life age 65 | 25.4 (M), 27.2 (F) | 24.9 (M), 26.1 (F) |
| | Expectation of life age 75 | 15.6 (M), 17.4 (F) | 15.3 (M), 16.6 (F) |
| 400 | Annuity non-profit (CPA) – group annuities in payment | | |
| | Annuity non-profit (CPA) – group annuities in payment unprocessed business | | |
| | Annuity non-profit (CPA) – group annuities in payment (reassurance accepted) | | |
| | Mortality table | Modified 96.0% PCMA00 / 97.0% PCFA00 | Modified 93.5% PCMA00 / 95.5% PCFA00 |
| | Expectation of life age 65 | 25.0 (M), 26.0 (F) | 24.9 (M), 25.1 (F) |
| | Expectation of life age 75 | 15.3 (M), 16.3 (F) | 15.3 (M), 15.7 (F) |
| 390 | Deferred annuity non-profit – group deferred annuities | | |
| | Deferred annuity non-profit – group deferred annuities unprocessed business | | |
| | Mortality table | In deferment: AM92 / AF92 – 4 years In payment: Modified 96.0% PCMA00 / 97.0% PCFA00 | In deferment: AM92 / AF92 – 4 years In payment: Modified 93.5% PCMA00 / 95.5% PCFA00 |
| | Current age 45, expectation of life age 65 | 28.8 (M), 28.8 (F) | 28.7 (M), 27.0 (F) |
| | Current age 55, expectation of life age 65 | 26.8 (M), 27.4 (F) | 26.8 (M), 26.0 (F) |

Valuation Report as at 31 December 2012 (continued)

Index linked

| Product code number | Product description | 31 December 2012 | 31 December 2011 |
|---------------------|--|--|--|
| 905 | Index linked annuity (CPA) – individual annuities in payment Index linked annuity (CPA) – individual annuities in payment (reassurance accepted) | | |
| | Mortality table | Modified 92.5% PCMA00 / 84.5% PCFA00 | Modified 93.5% PCMA00 / 84.5% PCFA00 |
| | Expectation of life age 65 | 25.4 (M), 27.2 (F) | 24.9 (M), 26.1 (F) |
| | Expectation of life age 75 | 15.6 (M), 17.4 (F) | 15.3 (M), 16.6 (F) |
| 905 | Index linked annuity (CPA) – group annuities in payment Index linked annuity (CPA) – group annuities in payment - valued as fixed Index linked annuity (CPA) – group annuities in payment unprocessed business Index linked annuity (CPA) – group annuities in payment (reassurance accepted) | | |
| | Mortality table | Modified 96.0% PCMA00 / 97.0% PCFA00 | Modified 93.5% PCMA00 / 95.5% PCFA00 |
| | Expectation of life age 65 | 25.0 (M), 26.0 (F) | 24.9 (M), 25.1 (F) |
| | Expectation of life age 75 | 15.3 (M), 16.3 (F) | 15.3 (M), 15.7 (F) |
| 907 | Index linked deferred annuity – group deferred annuities Index linked deferred annuity – group deferred annuities – valued as fixed Index linked deferred annuity – group deferred annuities unprocessed business | | |
| | Mortality table | In deferment: AM92 /AF92 – 4 years In payment: Modified 96.0% PCMA00 / 97.0% PCFA00 | In deferment: AM92 /AF92 – 4 years In payment: Modified 93.5% PCMA00 / 95.5% PCFA00 |
| | Current age 45, expectation of life age 65 | 28.8 (M), 28.8 (F) | 28.7 (M), 27.0 (F) |
| | Current age 55, expectation of life age 65 | 26.8 (M), 27.4 (F) | 26.8 (M), 26.0 (F) |

Valuation Report as at 31 December 2012 (continued)

Mortality bases used at 31 December 2012 and 31 December 2011

Annuities are generally valued using a percentage of the 00 series PCxA tables for annuitants and pensioners. In order to allow for mortality improvement, future improvement factors are applied from 2000. For males these future improvement factors are in line with Prudential's own calibration of the CMI 2011 mortality model (CMI 2009 for the 31 December 2011 valuation), with a long term improvement rate of 2.25% p.a. For females, future improvement factors are in line with Prudential's own calibration of the CMI 2011 mortality model (CMI 2009 for the 31 December 2011 valuation), with a long term improvement rate of 1.75% p.a. (1.25% p.a. for the 31 December 2011 valuation). Compared with the core CMI mortality model, Prudential's calibration:

- (a) blends period improvements between ages 60 to 80 to the long term improvement rate over a 15 year period (compared with a 20 year period in the core CMI model), and
- (b) assumes that cohort improvements dissipate over a 30 year period, or by age 90 if earlier (compared with a 40 year period, or by age 100 if earlier, in the core CMI model).

For impaired life annuities written prior to November 2008, an adjustment is made to the annuitant's age to allow for the impairment. Impaired life annuities written since November 2008 have been underwritten by Hannover Life Re and the impairment is modelled explicitly using parameters determined as part of the underwriting process. The mortality assumptions and expectations of life in the tables above are before the allowance for the impairment has been applied.

- (5) Not applicable
- (6) The renewal expenses per annum used are described in the table below:

| Product code number | Product description | 31 December 2012 | 31 December 2011 |
|---------------------|---------------------|------------------|------------------|
| All | All products | £18.67 p.a. | £19.35 p.a. |

The inflation rate assumed for future expenses is as follows:

| Product code number | Product description | 31 December 2012 | 31 December 2011 |
|---------------------|---------------------|------------------|------------------|
| All | All products | 3.50% p.a. | 3.75% p.a. |

Valuation Report as at 31 December 2012 (continued)

Investment management expenses are allowed for by making a deduction from the valuation rate of interest. The deduction used is as follows:

| Product code number | Product description | 31 December 2012 | 31 December 2011 |
|---------------------|---------------------|------------------|------------------|
| All | All products | 0.053% p.a. | 0.053% p.a. |

The valuation rates of interest in 4(2) (and the asset yields in Form 48 and Form 57) are shown before the deduction for investment management expenses.

Outgo on property maintenance costs and leases is allowed for directly in the valuation rates of interest used (and the asset yields shown in Form 48 and Form 57 are shown after this deduction).

- (7) Not applicable
- (8) Not applicable
- (9) No lapses have been allowed for in the valuation.
- (10) For joint life policies, the assumptions for the proportion married at the death of the first life are as follows;

| | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| <u>Annuities in payment</u> | | |
| When single at retirement | 10% | 10% |
| When married at retirement | 100% | 100% |
| When average married assumption applies | 82% | 82% |
| Remarriage assumption for spouse | 5% | 5% |
| <u>Deferred annuities</u> | | |
| When single at commencement | 75% | 75% |
| When married at commencement | 95% | 95% |
| When average married assumption applies | 80% | 80% |
| Remarriage assumption for spouse | 5% | 5% |

There are no other material basis assumptions that are not stated elsewhere

- (11) Derivative contracts held as at 31 December 2012 comprised:
 - i) Contracts to swap fixed US Dollars for fixed UK Sterling;
 - ii) Contracts to swap fixed Euros for fixed UK Sterling;
 - iii) Contracts to swap floating UK Sterling LIBOR for fixed UK Sterling;
 - iv) Contracts to swap inflation-linked UK Sterling RPI for fixed UK Sterling;
 - v) A contract to swap future fixed UK sterling for future inflation-linked UK Sterling RPI/LPI;

Valuation Report as at 31 December 2012 (continued)

- vi) Contracts to swap inflation-linked UK Sterling property income for fixed UK Sterling;
- vii) Contracts to swap fixed, floating LIBOR and credit default premium cashflows for fixed UK Sterling;
- viii) Contracts to swap fixed / floating UK Sterling for inflation-linked UK Sterling RPI/LPI;
- ix) Contracts to take sovereign credit risk in return for ongoing premiums.

The effect of the contracts under i) is to convert fixed US Dollar denominated cashflows into fixed UK Sterling.

The effect of the contracts under ii) is to convert fixed Euro denominated cashflows into fixed UK Sterling cashflows.

The effect of the contracts under iii) is to convert cashflows from UK Sterling and Non Sterling floating rate LIBOR/EUROBOR assets into fixed UK Sterling cashflows. Euro cashflows are hedged into Sterling via currency forwards.

The effect of the contracts under iv) is to convert cashflows from UK Sterling RPI inflation-linked bonds into fixed UK Sterling.

The effect of the contract under v) is to convert future fixed UK Sterling cashflows into future RPI inflation-linked cashflows.

The effect of the contracts under vi) is to convert cashflows from RPI inflation-linked property rental payments into fixed UK Sterling cashflows.

The effect of the contracts under vii) is to convert various currency cashflows from floating rate LIBOR bonds, fixed rate bonds and a premium for providing protection on the default of a bond into fixed UK Sterling cashflows.

The effect of the contracts under viii) is to convert fixed / floating UK Sterling assets into UK Sterling RPI/LPI inflation-linked cashflows.

The effect of the contracts under ix) is to take sovereign credit risk in return for ongoing premiums.

The cashflows involved in these arrangements were included in the aggregate cashflows from the portfolio in order to derive the aggregate yield on the portfolio. This is in accordance with the section 148 waiver.

No options are held and hence no out-of-the-money derivatives have been used to back liabilities.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1 and hence differ from the yields calculated in accordance with the section 148 waiver.

- (12) There were no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

Valuation Report as at 31 December 2012 (continued)

5. Options and guarantees

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Some inflation-linked annuities are subject to maximum and minimum percentage increases. The valuation of this business is as described in 4(1). An additional reserve of £60.9m is held at the valuation date to cover the risk of negative inflation.

6. Expense reserves

- (1) The aggregate amount arising during the twelve months after the valuation date from implicit and explicit expense reserves made in the valuation to meet expenses are:

| | £m |
|------------------------------------|------|
| Per policy expenses | 19.0 |
| Longevity swap management expenses | 1.8 |
| Investment management expenses | 14.6 |
| Total | 35.4 |

Outgo on property maintenance costs and leases are allowed for directly in the valuation rates of interest used (and the asset yields shown in Form 48 and Form 57 are shown after this deduction).

- (2) Not applicable
- (3) The maintenance expenses shown at line 14 of Form 43 are £35.5m. These expenses include costs whose payment is contingent on the emergence of statutory surplus emerging and, as such, no reserve is held for them.
- (4) It is expected that all new business written in the twelve months following the valuation date will be written on terms which do not result in new business strain in the Company. Therefore no new business expense overrun reserve is required.
- (5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the amount of the expense loading over the remaining lifetime of the contracts in force at the valuation date is £429.8m.

Valuation Report as at 31 December 2012 (continued)

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 22% and that loss of economies of scale would result in overall expenses thereafter being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the surplus expected to arise over the following year on prudent assumptions from existing business a further additional reserve is held.

At the valuation date, an additional reserve of £58.2m is held for the impact of closing to new business. In addition, a reserve of £1.2m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2013 and a reserve of £10.0m is held to cover the cost of additional contributions to the Prudential Staff Pension Scheme.

(6) No expenses have been treated as non-attributable.

7. Mismatching reserves

(1) All the mathematical reserves are payable in sterling and the assets which match the liabilities are sterling assets. There are some US Dollar and Euro denominated assets which, in conjunction with specific swap derivative contracts, effectively produce income in UK Sterling. See 4(11) for details.

(2) Not applicable

(3) Not applicable

(4) The most onerous scenario under INSPRU 3.1.16R was :

(i) a fall in property values of 18% plus a fall in rental income of 10%, and;

(ii) a fall in yield on all fixed interest securities of 0.46%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date, and;

(iii) a fall of 0.01% in the index-linked real security yield in conjunction with a fall of 0.45% in the inflation rate such that the overall fall in the nominalised yield is equal to 0.46%.

(5) There were no significant territories at the valuation date.

(6) In respect of the scenarios described under (4) above;

(a) No resilience capital requirement was necessary.

(b) For non-linked annuities, the increase in the aggregate amount of the long-term insurance liabilities was £904m.

Valuation Report as at 31 December 2012 (continued)

For index-linked annuities, the decrease in the aggregate amount of long-term insurance liabilities was £72m.

- (c) For non-linked annuities, the increase in the aggregate amount of assets backing these liabilities was £910m.

For index-linked annuities, the decrease in the aggregate amount of assets backing these liabilities was £64m.

- (7) A reserve of £243m was held arising from the test on assets in INSPRU 1.1.34R(2).

This reserve was set at a level which was sufficient to ensure that it covered the results of projecting:

- (i) the risk adjusted cashflows of the assets backing the liabilities and;
- (ii) the future liability payments on the valuation assumptions.

In carrying out this test, the asset cashflows have been adjusted to allow for a level of defaults equivalent to the short-term element of the company's credit risk assumptions occurring immediately followed by a longer-term rate of default equivalent to 37 basis points per annum.

In determining the risk adjusted cashflows of the assets, two scenarios are tested:

- Scenario A: In any year where asset income exceeds liability outgo, the excess is invested in a notional cash asset, and this cash asset is assumed to accumulate at 97.5% of the maximum reinvestment rate specified in INSPRU 3.1.45R. In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to below zero, then the shortfall is assumed to be borrowed at a rate 2.0% higher than 97.5% of the maximum reinvestment rate.
- Scenario B: In any year where asset income exceeds liability outgo, the excess is invested in a notional cash asset, and this cash asset is assumed to accumulate at the valuation rate of interest (as specified in 4(2)). In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to below zero, then the shortfall is assumed to be borrowed at a rate 1.2% higher than the valuation rate of interest.

The reserve held is that required to satisfy the more onerous of these two scenarios.

8. Other special reserves

Other special reserves are as follows:

A reserve of £128m is held to cover general contingencies.

Valuation Report as at 31 December 2012 (continued)

A reserve of £22.1m are held to cover potential additional liabilities in respect of systems and administration errors.

A reserve of £18.0m is held to cover the potential risks, including operational risks, arising in connection with the sale of sovereign credit default swaps.

A reserve of £60.9m is held to cover potential deflation losses. The risk arises as the liabilities include benefits which are linked to inflation subject to a minimum of 0%, but which are backed by standard inflation-linked assets. The reserve is calculated from projected inflation rates derived from a stochastic inflation model.

A reserve of £10.0m is held in respect of the UK life insurance operation's share of additional contributions expected to be required to fund future defined benefits in the Prudential Staff Pension Scheme and the Scottish Amicable Pension Scheme, taking into account the expected run-off of the schemes' membership.

9. Reinsurance

(1) Not applicable

(2) Details of any reinsurance treaties held as at 31 December 2012 which satisfy criteria (a), (b) or (c) are as follows:

Valuation Report as at 31 December 2012 (continued)

| (d) Reinsurer | (e) Nature of Cover | (f) Premiums £m | (g) Deposits back at the valuation date £m | (h) Open/ Closed | (i) Amount of any Undischarged Obligation | (j) Reserves Ceded £m | (k) Retention |
|---|---|-----------------|--|------------------|---|-----------------------|--|
| Hannover Life Re | A single treaty covering specific annuity liabilities issued by PRIL. In return for a fixed series of reinsurance premiums Hannover Life Re will pay to PRIL a specified proportion (40%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement. | 56.7 | None | Closed | None | 65.0 | N/A |
| The Prudential Assurance Company Limited (PAC) * | PAC reinsures 15% of the liabilities in respect of all non-profit annuity business. PAC's reinsurance applies after the cession of mortality risk under other reinsurance arrangements. | 242.9 | 3,809.4 | Open | None | 3,809.4 | The firm retains 85% of liabilities in respect of new policies. The firm's retention is 85% of liabilities after the cession of mortality risk under other reinsurance arrangements. |

Valuation Report as at 31 December 2012 (continued)

- (l) All of the above companies are authorised to carry on insurance business in the United Kingdom.
- (m) An asterisk (*) denotes companies connected to the cedent.
- (n) In general the treaties are exposed to the credit risk of the reinsurers, against which a reserve is held.
- (o) The net liability includes no allowance for the refund of any reinsurance commission.
- (p) Not applicable

(3) Not applicable

10. Reversionary (or annual) bonus

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2012

Supplementary notes to the returns

Form 2

0201 Waivers under Section 148, Financial Services and Markets Act 2000

(1502402) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS)Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination. This direction ends on 31 March 2014 or, if earlier, the date the relevant rule is revoked or no longer applies to the firm (in whole or in part). This waiver is a renewal of the waiver direction 771905 which ended on 31/10/2012.

Form 3

0301 Reconciliation of net admissible assets to total capital resources

| | 2012 £'000s |
|---------------------------|------------------|
| Line 89 on Form 13 (OLTB) | 1,412,807 |
| Line 89 on Form 13 (LTF) | 26,451,809 |
| Line 11 on Form 14 | (21,586,775) |
| Line 49 on Form 14 | (4,165,802) |
| Line 69 on Form 15 | (174,615) |
| Line 79 on Form 3 | <u>1,937,424</u> |

0308 The Company has two contingent loans from The Prudential Assurance Company Ltd. The loans accumulate with interest at specified rates.

Loan repayments are contingent upon surplus arising and are made after the end of each financial year as a specified percentage of the lesser of the Company's Pillar 1 surplus (determined by reference to line 34 of Form 58) and the Company's Pillar 2 surplus which emerged over that period. If either surplus arising amount is negative, no repayments need be made in respect of that financial year.

Any repayment obligations crystallise on the last day of the financial year to which the surplus arising relates. The loans may be prepaid by the Company upon prior notice.

During the year there was no prepayment in respect of these loans.

Supplementary notes to the returns (continued)

Form 3 (continued)

0310 Valuation differences

| | 2012 £'000s |
|--|------------------|
| <i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i> | |
| Deferred tax held on life tax transitional arrangements | 279,900 |
| Contingent loan | 283,475 |
| <i>Positive valuation differences where assets are higher than in the Shareholder account</i> | |
| FSA valuation difference on investments | 317,086 |
| <i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i> | |
| Additional reserves held in long term fund | (1,533,998) |
| Line 35 on Form 3 | <u>(653,537)</u> |

0313 Reconciliation of profit and loss account and other reserves

| | 2012 £'000s |
|---|----------------|
| Profit & loss account and reserves b/fwd (Form 3 line 12) | 1,362,929 |
| Profit & loss account and reserves c/fwd (Form 3 line 12) | 1,733,661 |
| Movement | <u>370,732</u> |
| Movement in additional reserves held for FSA | (274,932) |
| Movement in valuation difference | 112,445 |
| Movement in deferred tax | 16,300 |
| Movement in unallocated surplus | 10,998 |
| Movement in contingent loan | 9,208 |
| Line 59 on Form 16 | <u>244,751</u> |

Form 13

Notes 1302 to 1307 apply to the other than long term business fund.

1302 The company held £9,511k in hybrid securities.

1304 Amounts due to or from the company have been set off to the extent permitted by generally accepted accounting principles.

Supplementary notes to the returns (continued)

Form 13 (continued)

- *1305* The maximum permitted exposure to any single counterparty has been set in accordance with the counterparty limits detailed in the various Prudential Sourcebooks. Therefore exposures to individual non-approved counterparties have been restricted to a maximum of 5% of the long term business amount.
- *1306* No counterparty exposure at the year end exceeded 5% of the long term business amount.
- *1307* PRIL has an exposure of £263.9m to 'secured obligations'. This figure has not been deducted from the Admissibility testing for 31st Dec 2012, as the original test covered all exposures within the limits set.

Notes 1308 to 1313 apply to the long term business fund.

- *1308* The company held £1,130m in unlisted securities.
- *1309* The company held £1,693m in hybrid securities.
- *1310* Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.
- *1312* No counterparty exposure at the year end exceeded 5% of the long term business amount.
- *1313* PRIL has an exposure of £263.9m to 'secured obligations'. This figure has not been deducted from the Admissibility testing for 31st Dec 2012, as the original test covered all exposures within the limits set.
- *1318* Other asset adjustments

| | 2012 £'000s |
|---|------------------|
| <i>Other than long term business assets</i> | |
| Amount due from the long term notionally settled in cash | (200,000) |
| Line 101 on Form 13 | <u>(200,000)</u> |
| | |
| | 2012 £'000s |
| <i>Total long term business assets</i> | |
| Deposit back liability netted off Index Linked assets in the regulatory return | 47,495 |
| Miscellaneous adjustments to assets | 69,378 |
| Amount due to the other than long term fund partly settled in cash and by increased amounts owed to credit institutions | 90,321 |
| Line 101 on Form 13 | <u>207,194</u> |

Supplementary notes to the returns (continued)

Form 13 (continued)

1319 The maximum permitted exposure to any one counterparty has been set in accordance with the counterparty limits detailed in INSPRU 2.1.22. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the long term business amount. No counterparty exposure during the year exceeded these limits.

1321 Other differences in valuation of assets

| | 2012 £'000s |
|--|------------------|
| <i>Total long term business assets</i> | |
| Assets valued on a different basis than that in the financial statements | (317,086) |
| Line 98 on Form 13 | <u>(317,086)</u> |

Form 14

1401 The long term fund held a number of interest rate, currency and inflation-linked swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

1402 (a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 Line 11 were £8,003,809k and £511,990k. The whole of the amount at Form 13 line 89 is subject to charge.

On 2 September 2008 and 10 November 2010 floating charges were placed over cash and assets of the long term fund to secure certain pension scheme liabilities. On crystallisation the charge gives the debts owed to the scheme trustees priority status in any claim against the said cash or assets. The charges provide for the amount to be secured to vary by reference to a percentage of the value of the liabilities. The amounts secured under this charge included in Form 14 line 11 is £2,424,204k. The aggregate value of the assets subject to the charge is £2,550,274k (see table overleaf).

Supplementary notes to the returns (continued)

Form 14 (continued)

| | 2012 £'000s |
|---|------------------|
| <i>Assets which are subject to the charge</i> | |
| <i>Form 13</i> | |
| Line 41 – Equity shares | 812 |
| Line 45 – Approved fixed interest securities | 287,699 |
| Line 46 – Other fixed interest securities | 290,450 |
| Line 47 – Approved variable interest securities | 50,232 |
| Line 48 – Other variable interest securities | 152,965 |
| Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions | 19,349 |
| Line 84 – Accrued interest and rent | 10,783 |
| <i>Form 56</i> | |
| Line 11 – Approved variable interest securities | 274,484 |
| Line 12 – Other variable interest securities | 830,271 |
| Line 13 – Approved fixed interest securities | 307,234 |
| Line 14 – Other fixed interest securities | 292,824 |
| Line 15 – Cash and deposits | 16,562 |
| Line 18 – Other assets | 16,609 |
| Total | <u>2,550,274</u> |

- (b) Increases in the value of assets of the long term fund do not attract tax, and therefore no provision, potential or otherwise, has been made for any liability to tax which might arise if the company disposed of its assets at the values stated in this return.
- (c) The Company has two contingent loans not in Form 14, from The Prudential Assurance Company Ltd. The loans accumulate with interest at specified rates. The value of these loans total £283,475k.

Loan repayments are contingent upon surplus arising and are made after the end of each financial year as a specified percentage of the lesser of the Company's Pillar 1 surplus (determined by reference to line 34 of Form 58) and the Company's Pillar 2 surplus which emerged over that period. If either surplus arising amount is negative, no repayments need be made in respect of that financial year.

Any repayment obligations crystallise on the last day of the financial year to which the surplus arising relates. The loans may be prepaid by the Company upon prior notice.

During the year there were no repayments made as a prepayment in respect of these loans.

- (d) Although currently none the Company has provided, from time to time, other guarantees and commitments to third parties entered into in the normal course of business.

Supplementary notes to the returns (continued)

Form 14 (continued)

1405 Details of other adjustments to liabilities

| | 2012 £'000s |
|---|------------------|
| Additional reserves held in long term fund | (1,533,998) |
| Deferred tax held on life tax transitional arrangements | 279,900 |
| Contingent loan | 283,475 |
| Amount due to the other than long term fund partly settled in cash and by increased amounts owed to credit institutions | 90,321 |
| Miscellaneous adjustments to liabilities | 116,873 |
| Line 74 on Form 14 | <u>(763,429)</u> |

Form 15

1501 The other than long term fund held a number of interest rate swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

1502 (a) There were no charges attributable to the other than long term insurance business assets.

(b) The total potential liability to taxation on capital gains which might arise if the company disposed of its assets was £Nil.

(c) There were no contingent liabilities at the year end.

(d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

1507 Details of other adjustment in liabilities

| | 2012 £'000s |
|--|------------------|
| Amount due from the long term notionally settled in cash | (200,000) |
| Line 83 on Form 15 | <u>(200,000)</u> |

Form 16

1601 Revenue account items are translated at rates ruling on the transaction date.

1603 Balances in line 21 relate to management expenses.

Supplementary notes to the returns (continued)

Form 17

- *1702* No convertible securities, with the features of a quasi-derivative, have been included in line 46 of the Long-term Form 13.

Form 40

- *4008* Management services are provided to the Company for day to day administration from The Prudential Assurance Company Ltd, Prudential Distribution Ltd, M&G Investment Management Ltd, Prudential Property Investment Managers Ltd, Prudential UK Services Ltd and Prudential Services Ltd, all being group companies.
- *4009* The Company has reinsurance agreements with a related company, The Prudential Assurance Company Ltd, in respect of non-participating approved pension annuity contracts.

During the year, claims amounting to £470m were paid under these reinsurance agreements and claims amounting to £205m were ceded. A premium, calculated on normal commercial terms, amounting to £948m was received and a premium amounting to £243m was ceded. The reinsurance included in the Return, relating to this business, amount to £8,516m liability for reinsurance accepted and £3,809m asset for the reinsurance ceded at the year end.

There were no other material intra-group transactions.

Form 47

- *4702* For annuity business where a premium includes both non-linked and linked benefits, total counts have been reported against both the non-linked and linked premiums. The extent of double counting of policies on Form 47 arising from this is 970.

Form 48

- *4802* There are 9 assets where the payment of interest is in default. The expected interest from these assets has been reduced to nil.
- *4803* Securities with an issuer option to redeem early are assumed to redeem at the next call date. The only exception to this are Government perpetual bonds (which can redeem at any time), and for these securities we assume that cashflows continue for 150 years.

Form 49

- *4901* Credit ratings used on Form 49 are the second best of 3 external rating agencies, namely Fitch, S&P & Moody's.

Supplementary notes to the returns (continued)

Form 51

5105 The amount of double-counting of policies between Forms 51 and 54 combined is 35,693.

The counts and benefit amounts are not shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems.

The unprocessed business comes from former occupational pension schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

5106 Annuities included in Forms 51 and 54 are categorised depending on the type of escalation of benefits once an annuity is in payment. Form 51 includes annuities that increase at a guaranteed fixed rate and Form 54 includes annuities where benefits are dependent on changes in UK inflation. Deferred annuities with revaluation in line with inflation in deferment and fixed increases in payment are included in Form 51.

Form 54

5405 The amount of double-counting of policies between Forms 51 and 54 combined is 35,693.

The counts and benefit amounts are not shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems. The unprocessed business comes from former occupational pension schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

Form 56

5601 Credit ratings used on Form 49 are the second best of 3 external rating agencies, namely Fitch, S&P & Moody's.

Form 57

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination.

The information required in respect of waiver 1502402 (effective from 1 November 2012) is as follows:

| Product group | Risk adjusted yield on matching assets (Form 57 column 5) | Corresponding asset yield |
|--|---|---------------------------|
| Form 51: Immediate & deferred annuities | 3.56% | 4.22% |
| Form 51: Additional reserves – policy related expenses | 0.70% | 1.28% |

Supplementary notes to the returns (continued)

Form 58

5803 There is a difference between line 49 and Form 2 line 11 of £400k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93.

PRUDENTIAL RETIREMENT INCOME LIMITED

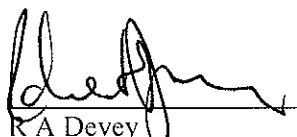
Global Business

Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules

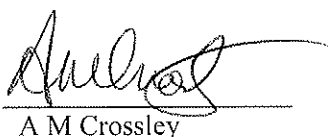
Financial year ended 31 December 2012

We certify:

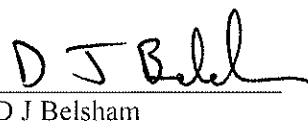
1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver detailed in supplementary note 0201 issued under section 148 of the Financial Services and Markets Act 2000 and section 68 of the Insurance Companies Act 1982 which continues to have effect; and:
 - (b) We are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (c) that we have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.



R A Devey
Chief Executive



A M Crossley
Director



D J Belsham
Director

25 March 2013

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Financial year ended 31 December 2012

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU(INS), the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU, the Insurance Prudential Sourcebook, ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 1 to 61 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on pages 66 to 67 ('the Statement'); and
- the valuation report required by IPRU(INS) rule 9.31(a)(i) ("the valuation report") on pages 38 to 52.

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 50, 51, 54 and 57 (including the supplementary notes) on pages 21 to 61;
- the statement required by IPRU(INS) rules 9.30 on page 68; or
- the certificate required by IPRU(INS) rule 9.34(1) on page 62 ('the certificate').

This report is made solely to the insurer's directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the insurer's directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the FSA of its regulatory functions in respect of the insurer, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our work (including our examination) has been undertaken so that we might state to the insurer's directors, as a body, those matters we are required to state to them in an auditor's report issued pursuant to IPRU(INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer and the insurer's directors as a body, for our work (including our examination), for this report, or for the opinions we have formed.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by a direction issued under section 148 of the Financial Services and Markets Act 2000 dated 17 December 2007. Under IPRU(INS) rule 9.11 the Forms, the Statement, and the valuation report, are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement and the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the Statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (Revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement, and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the Statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- i) the Forms, the Statements and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Robert Lewis

Robert Lewis
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

25 March 2013

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2012

Statement pursuant to the Interim Prudential Sourcebook for Insurers (IPRU(INS)) rule 9.29

(a) Investment guidelines

As requested by Rule 9.29 of the Interim Prudential Sourcebook, (FSA Statutory Instrument 2004/98) the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below. These are fully explained in the Company's Investment Management Agreement with its fund managers and are consistent with the investment strategy.

- (i) Derivatives are used for the purpose of efficient portfolio management or to reduce risk, specific examples being to implement tactical asset allocation changes around the strategic benchmark, hedge cash flows, or control the risk profile of an identified strategy.
- (ii) A number of restrictions on the use of derivatives have been agreed with the Company's fund managers and can only be overruled by prior agreement between the two parties:
 - all derivatives that impose obligations on the fund must be strictly covered.
 - all derivative contracts must satisfy the definition of approved under Rule 3.2.5 of the Prudential sourcebook for Insurers (INSPRU)
 - the maximum allowable exposure to counterparties should not be exceeded.
 - only certain permitted exchanges and contracts can be used.
- (iii) During the year the company has used interest rate, currency, credit default and inflation-linked swaps in the long term business and interest rate swaps in the other than long term business.

(b) Derivatives where exercise is unlikely.

There are no specific guidelines for the use of contracts not reasonably likely to be exercised. However the Investment Management Agreement only allows the use of derivatives for the purpose of efficient portfolio management or to reduce risk and the Company's investment managers work within these constraints.

(c) Quantification of derivatives in (b) above

There was zero exposure during the year to out of the money call options / warrants.

PRUDENTIAL RETIREMENT INCOME LIMITED

**Statement pursuant to the Interim Prudential Sourcebook for Insurers (IPRU(INS))
rule 9.29 (continued)**

(h) Derivatives not covered by the definition of an admissible derivative contract in the Prudential Sourcebooks.

There were no derivative contracts held during 2012 that did not satisfy requirements of the Interim Prudential Sourcebook.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2012

Rule 9.30 Statement on Shareholder Controllers

The following companies were shareholder controllers of Prudential Retirement Income Limited for the year: The Prudential Assurance Company Ltd holding 100% of its issued share capital and voting power throughout the year; and Prudential plc, being the ultimate holding company, holding 100% of the issued share capital and voting power of The Prudential Assurance Company Ltd throughout the year.